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**PACIFIC**  **TELESIS**  
Group - Washington

June 29, 1995

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FEDERAL COMMUNICATIONS COMMISSION  
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Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop 1170  
1919 M Street, N.W., Room 222  
Washington, DC 20554

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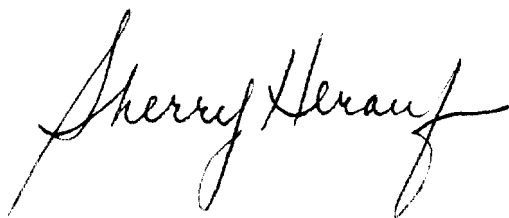
Dear Mr. Caton:

*Re: CC Docket No. 95-72, End User Common Line Charges*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their "Comments" in the above referenced proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosure

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of

End User Common Line Charges

CC Docket No. 95-72

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**Comments of Pacific Bell and Nevada Bell**

Pacific Bell and Nevada Bell (the Pacific Companies) file these Comments relating to how Subscriber Line Charges (SLCs) should be assessed for Integrated Services Digital Network (ISDN). The Pacific Companies support the Commission's expedited examination of these rules so that this important technology can continue to grow, and the competitive marketplace for this service can be restored.<sup>1</sup>

**The ISDN Product**

ISDN provides numerous benefits to customers and the economy. It is a fast growing service that allows a subscriber to simultaneously have voice, data, image, and video over a normal copper phone line. Single line ISDN service is the fastest growing ISDN service in California. ISDN provides higher speeds, digital clarity, remote access to a myriad of on-line services and applications, and Internet access. With ISDN, a customer can speak on the phone,

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<sup>1</sup> The Pacific Companies also strongly support the Comments of USTA filed in this docket.

surf the Internet and receive a fax, all at the same time over the same copper line. No additional lines are needed to the home or office, conserving the local loop.

The ability to access the Internet is quite important for California. California has 27% of the registered domains on the Internet. One estimate says between 35% and 40 % of all Internet traffic begins or ends in California. ISDN is one of the most efficient ways in which to access the Internet.

Pacific Bell<sup>2</sup> has two basic types of ISDN service, Basic Rate Interface and Primary Rate Interface (BRI & PRI), as well as a Centrex ISDN offering. A brief description of these ISDN services is as follows:

Basic Rate Interface. This is a single line ISDN product offered to business as well as for home ISDN use. Both of these services provide the equivalent of 2 lines and can be combined with an option allowing the customer to use the 'D' channel for packet switching. This service is provided over an ordinary local loop, usually a 2-wire twisted pair.

Primary Rate Interface. We offer ISDN over a T-1 facility which allows 23 'B' and 1 'D' channel, or 24 'B' channels for additional T-1 circuits. PRI allows the dynamic utilization of the channelized paths on the T-1 circuit. When a customer orders PRI, that customer does not need to designate particular channels for particular services. That customer can

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<sup>2</sup> Nevada Bell currently offers Centrex ISDN and plans to deploy basic and primary rate interface ISDN by 2nd Qtr of 1996.

dynamically allocate the services among the 24 channels. This allows a customer to utilize 4 channels on one day, while utilizing 20 channels the next day, as business needs dictate. This dynamic allocation is not measurable and as a result we cannot tell how many channels are actually in use in a given time period.

The Commission has requested comment on the advantages and disadvantages of alternative services and technologies that offer services comparable to ISDN.<sup>3</sup> The most direct competitor of ISDN today is the analog modem which uses a normal POTS line to transfer data. The main advantage of such a modem--low cost--is outweighed by the many disadvantages. These disadvantages include slower speed,<sup>4</sup> slower call set up and disconnect times, increased wiring charges due to additional cabling, conduit and trenching which may be necessary for an additional copper loop, and the rigidity of the service (a modem cannot offer voice and data simultaneously as ISDN can.)

Because of the many advantages of ISDN, and its relatively low cost, ISDN has undergone meteoric growth in California. Sales of PRI, used by large and small business, increased 200% in 1994, and was forecasted to triple in volume in 1995. BRI, used by business and residential subscribers, is available to 90% of the customers in our region. Its volume doubled in 1994 and a 150% increase is anticipated for 1995.

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<sup>3</sup> NPRM, para. 36.

<sup>4</sup> The highest speed achievable is 28.8 Kbps. ISDN can transmit 128 Kbps if the two B channels are bonded.

This growth should be encouraged by the Government as the first phase of the new national infrastructure. Requiring multiple SLCs for each derived channel will squelch demand for ISDN.

#### One SLC Per Facility Is The Proper Charge

The Pacific Companies support one SLC per facility.<sup>5</sup> We support this for a number of reasons. First, this approach encourages growth in a dynamic service being utilized for many important purposes supported by the Administration and the business environment. Second, it will encourage growth of new technologies which more efficiently utilize existing plant. ISDN offers a new and efficient way to utilize an ordinary copper loop by expanding the manner in which it can be used. Third, it benefits California in other important ways, such as by providing an important tool for telecommuting, which in turn promotes air quality. In California, regulations promulgated by regional air quality agencies require employers of 100 or more employees to institute programs which encourage workers to find alternatives to commuting in a single occupancy vehicle. Telecommuting is credited in each region as a commute alternative. For telecommuting, high speed access to the workplace is an essential prerequisite. ISDN provides that access.

We agree with the Commission<sup>6</sup> that the one SLC per facility approach reflects a system which is consistent with the way costs are imposed on the network by the customer. SLCs are meant to recover the non-traffic sensitive costs of the local loop. With derived channel

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<sup>5</sup> See NPRM, paras. 24 - 26.

<sup>6</sup> NPRM, para. 24.

services such as ISDN, the local loop costs do not change; functionality in the CPE and the central office switch allows the improvements. And, one SLC per facility will encourage customers to use this technology to meet the goals of the National Information Infrastructure.

The Commission notes that the one SLC per facility approach is inconsistent with its long term goal of reducing untargeted support in existing per minute carrier common line charges.<sup>7</sup> This drawback, however, should not deter the Commission from adopting the rule.

The Commission begins its Notice by stating that:

"the question of SLCs for ISDN and similar services must be considered in the broader context of competitive developments in the intrastate access market, and the resulting pressure to reduce unnecessary support flows in order to ensure fair competition and preserve universal service."<sup>8</sup>

These statements, which the Pacific Companies support, underscore the need for a wide ranging Commission rulemaking dealing with the issues of universal service and access reform. The system currently in place, in which the LECs need to charge SLCs for switched services, whereas our competitors do not, is competitively unfair and should be remedied. For example, the market for PRI in California is highly competitive. Interexchange carriers, who also provide PRI, can purchase a HICAP facility from Pacific Bell to connect a customer to their central office PRI. Yet, the interexchange carrier is NOT required to charge the customer any SLC. Pacific is, therefore, at a severe competitive disadvantage, particularly under an interpretation in which up to 24 SLCs need to be charged for the PRI facility. This competitive disadvantage will continue until all competitors jointly fund a pool which ensures universal

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<sup>7</sup> NPRM, para. 25.

<sup>8</sup> NPRM, para. 1.

service. It is only by broadening the base of contributors to such a fund that a truly competitive market can emerge.

The Pacific Companies, therefore, support an expedited review of access charge rules and universal service obligations so that the outmoded rules can be replaced with a system that addresses today's technology, today's competitors, and today's marketplace.

Until such a wide ranging access charge reform proceeding is concluded, however, the Pacific Companies should retain the ability to collect one SLC per ISDN facility from end-users, and the carrier common line rate which is appropriate for the basket. The LECs should not have to impute the derived channel charges and be precluded from collecting the non-traffic sensitive costs through the carrier common line rate element. It is unfair for the LEC to shoulder such costs when at the same time competing carriers are free to offer ISDN services to customers and not charge (or impute) any subsidy component.

The Commission asks for comment on whether a small increase in the SLC rate should be imposed.<sup>9</sup> A small increase will only provide the Commission with false comfort that it has addressed the underlying problems. It will not address the competitive inequity which results when only one competitor has to bear the subsidy burden. Until a broader base of telecommunications participants contribute to such a fund, this solution would be temporary at best. The Commission cannot resolve a "perceived portion" of the subsidy issue through a \$.25 increase. The entire structure must be re-evaluated. Universal Service, i.e., CC Docket 80-286 and Access Reform arenas are the appropriate vehicles for re-evaluation of subsidy.

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<sup>9</sup> NPRM, para. 33.

The Commission requests comment on various other approaches that may be possible in applying SLCs to ISDN service.<sup>10</sup> The Pacific Companies do not support these other approaches as they are inconsistent with the fundamental policy direction of encouraging new revenue opportunities, new services, and the National Information Infrastructure. Further, such approaches are inconsistent with the nature of ISDN. ISDN is not a loop technology and ISDN does not change the characteristic of the local loop. Rather, ISDN is a switch technology which allows a more efficient use of the local loop. When a customer orders ISDN, the local loop does not change. Instead, the central office is enhanced with a switching upgrade, and a customer must have appropriate CPE. But the local loop portion of the network is untouched. Therefore, applying multiple SLCs in an attempt to penalize that efficient use of the local loop, even though local loop costs are not involved, is unfair and contrary to the fundamental policies in the existing access charge structure.

The Commission also requests comment on whether Part 36 Separations Rules need to be changed in order to accommodate a different definition of the term "Line".<sup>11</sup> Pacific supports such a change since defining a line as a derived channel is inconsistent with the Part 69 definition which requires SLC to be applied on "each line ... that is or may be used for local exchange service transmissions".<sup>12</sup>

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<sup>10</sup> NPRM, paras. 27-31.

<sup>11</sup> Para. 36.

<sup>12</sup> 47 C.F.R. 69.104.

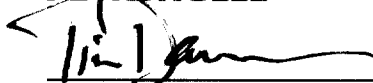


### Conclusion

The Commission should adopt a one SLC per facility approach for all derived channel services as a way to encourage growth in these important technologies. The Commission should also move forward on Access Charge rules in the context of the broad access charge and subsidy reform needed in order to achieve a truly competitive marketplace. Pending such a proceeding, we support the application of one SLC per facility. We do not believe the LECs should have to impute the derived channel charges, nor be precluded from collecting the non-traffic sensitive costs through carrier common line charges until the broader scope of the structure is addressed.

Respectfully submitted,

PACIFIC BELL  
NEVADA BELL



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